

# Medical Assistance Services

Analyst: Burns

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2000 Actual</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Approp</b>	<b>FY 2003 Request</b>	<b>FY 2003 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
General	162,758,500	205,306,700	229,311,300	274,727,100	243,166,800
Dedicated	30,856,200	33,230,300	24,400,500	30,641,700	26,811,000
Federal	392,226,000	491,269,400	555,803,800	675,839,200	596,808,800
<b>Total:</b>	<b>585,840,700</b>	<b>729,806,400</b>	<b>809,515,600</b>	<b>981,208,000</b>	<b>866,786,600</b>
Percent Change:		24.6%	10.9%	21.2%	7.1%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	7,892,600	8,944,400	11,650,300	13,014,300	12,263,400
Operating Expenditures	15,317,300	15,983,400	13,967,000	17,659,500	25,673,000
Capital Outlay	111,300	447,900	0	1,176,700	0
Trustee/Benefit	562,519,500	704,430,700	783,898,300	949,357,500	828,850,200
<b>Total:</b>	<b>585,840,700</b>	<b>729,806,400</b>	<b>809,515,600</b>	<b>981,208,000</b>	<b>866,786,600</b>
Full-Time Positions (FTP)	170.40	206.63	197.40	230.19	212.69

## Division Description

The Division of Medical Assistance has responsibilities that include administering plans to finance and deliver health services for people at risk due to low income and other factors, such as youth, old age, pregnancy, or disability, pursuant to state and federal Medicaid requirements. Additional responsibilities involve licensing and certification of health facilities to meet state and federal requirements and to participate in Medicaid and Medicare.

# Medical Assistance Services

Analyst: Burns

## Comparative Summary

Decision Unit	AGENCY REQUEST		GOVERNOR'S REC	
	General	Total	General	Total
<b>FY 2002 Original Appropriation</b>	<b>229,311,300</b>	<b>809,515,600</b>	<b>229,311,300</b>	<b>809,515,600</b>
Reappropriations	0	598,100	0	598,100
1. Medicaid Shortfall	12,666,400	43,613,200	4,276,900	9,755,000
Holdback/Neg. Supp	(6,944,600)	(23,431,500)	(6,944,600)	(23,431,500)
<b>FY 2002 Total Appropriation</b>	<b>235,033,100</b>	<b>830,295,400</b>	<b>226,643,600</b>	<b>796,437,200</b>
Expenditure Adjustments	(226,900)	14,547,800	(226,900)	14,547,800
<b>FY 2002 Estimated Expenditures</b>	<b>234,806,200</b>	<b>844,843,200</b>	<b>226,416,700</b>	<b>810,985,000</b>
Removal of One-Time Expenditures	(876,100)	(4,211,100)	(1,332,700)	(5,253,800)
Restore Holdback/Neg. Supp	6,944,600	23,431,500	6,944,600	23,431,500
Permanent Base Reduction	0	0	(18,650,500)	(66,354,200)
<b>FY 2003 Base</b>	<b>240,874,700</b>	<b>864,063,600</b>	<b>213,378,100</b>	<b>762,808,500</b>
Personnel Cost Rollups	13,600	33,100	13,600	33,100
Inflationary Adjustments	7,981,400	27,716,400	7,922,100	27,473,900
Replacement Items	135,700	264,300	0	0
Nonstandard Adjustments	22,728,200	79,348,800	21,273,700	73,048,600
Annualizations	0	0	434,600	2,040,100
Change in Employee Compensation	44,400	108,200	0	0
Fund Shifts	(138,300)	0	(138,300)	0
<b>FY 2003 Program Maintenance</b>	<b>271,639,700</b>	<b>971,534,400</b>	<b>242,883,800</b>	<b>865,404,200</b>
1. Expand Healthy Connections	(598,200)	(2,005,000)	0	0
2. HCBS Waiver Compliance	361,300	1,445,300	0	0
3. HIPAA Privacy Officer	43,700	88,100	0	0
4. DD & MH Project Contracts	760,000	1,520,000	0	0
5. Breast & Cervical Cancer	283,000	1,382,400	283,000	1,382,400
6. RBRVS Rates for Physicians	2,000,700	6,768,900	0	0
7. Co-Payment Automation	217,500	435,000	0	0
8. Additional Capital Outlay	19,400	38,900	0	0
<b>FY 2003 Total</b>	<b>274,727,100</b>	<b>981,208,000</b>	<b>243,166,800</b>	<b>866,786,600</b>
Change from Original Appropriation	45,415,800	171,692,400	13,855,500	57,271,000
% Change from Original Appropriation	19.8%	21.2%	6.0%	7.1%
Change in FTP's		32.79		15.29

# Medical Assistance Services

Analyst: Burns

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2002 Original Appropriation</b>	197.40	229,311,300	24,400,500	555,803,800	809,515,600

## Reappropriations

Agency Request	0.00	0	598,100	0	598,100
Governor's Recommendation	0.00	0	598,100	0	598,100

## 1. Medicaid Shortfall

Funding is requested to cover an anticipated shortfall in Medicaid benefit payments.

Agency Request	0.00	12,666,400	0	30,946,800	43,613,200
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The Division of Medicaid is taking aggressive measures in an effort to reduce the rate of growth in benefit payments. In order to achieve the projected savings outlined in the base reduction plan, additional staff are required. In order to increase the participation rate in the Healthy Connections program, 10 FTP are recommended; 3 FTP are recommended for Utilization Management (UM) to assure that service plans developed for mental health recipients are cost effective and provide the right treatment; 2 FTP (nurse reviewer positions) are recommended in UM to conduct an increased number of hospital length-of-stay determinations; and 2 FTP are recommended for pharmacy reviewer positions for the audit of adult prescriptions. Operating expenditure increases are needed to provide funding for remediation of the AIM system to be compliant with the federally mandated requirements of the Health Insurance Portability and Accountability Act (HIPAA) Code and Transactions rules; provides for increased contract costs with Electronic Data Systems who performs full fiscal agent services for Medicaid benefit payments; reprogramming costs of the AIM system in order to implement holdback plan; and increased contract with Pro-West to support the department's increased scrutiny of hospital length-of-stay reviews. Capital outlay provides for furniture and equipment for 17 staff and funding for the purchase of point-of-service machines which will provide primary care givers access to automated Medicaid systems.

Governor's Recommendation	17.00	4,276,900	(1,212,300)	6,690,400	9,755,000
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## Holdback/Neg. Supp

Agency Request	0.00	(6,944,600)	0	(16,486,900)	(23,431,500)
Governor's Recommendation	0.00	(6,944,600)	0	(16,486,900)	(23,431,500)

## FY 2002 Total Appropriation

Agency Request	197.40	235,033,100	24,998,600	570,263,700	830,295,400
Governor's Recommendation	214.40	226,643,600	23,786,300	546,007,300	796,437,200

## Expenditure Adjustments

Reflects transfers between programs and adjustments in available receipts and federal funds.

Agency Request	(1.71)	(226,900)	6,241,200	8,533,500	14,547,800
Governor's Recommendation	(1.71)	(226,900)	6,241,200	8,533,500	14,547,800

## FY 2002 Estimated Expenditures

Agency Request	195.69	234,806,200	31,239,800	578,797,200	844,843,200
Governor's Recommendation	212.69	226,416,700	30,027,500	554,540,800	810,985,000

## Removal of One-Time Expenditures

Remove funding provided for one-time items.

Agency Request	0.00	(876,100)	(598,100)	(2,736,900)	(4,211,100)
Governor's Recommendation	0.00	(1,332,700)	(598,100)	(3,323,000)	(5,253,800)

## Restore Holdback/Neg. Supp

Restores the one-time holdback/negative supplemental.

Agency Request	0.00	6,944,600	0	16,486,900	23,431,500
Governor's Recommendation	0.00	6,944,600	0	16,486,900	23,431,500

# Medical Assistance Services

Analyst: Burns

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>Permanent Base Reduction</b>					
Agency Request	0.00	0	0	0	0
<i>Permanent reductions in agency base budgets are made to accommodate limited General Fund revenue for fiscal year 2003. Reductions will be accommodated through program consolidations, expenditure management, and other program changes that realign funding availability with program requirements.</i>					
Governor's Recommendation	0.00	(18,650,500)	(2,618,400)	(45,085,300)	(66,354,200)
<b>FY 2003 Base</b>					
Agency Request	195.69	240,874,700	30,641,700	592,547,200	864,063,600
Governor's Recommendation	212.69	213,378,100	26,811,000	522,619,400	762,808,500
<b>Personnel Cost Rollups</b>					
Includes the employer portion of estimated changes in employee benefit costs.					
Agency Request	0.00	13,600	0	19,500	33,100
Governor's Recommendation	0.00	13,600	0	19,500	33,100
<b>Inflationary Adjustments</b>					
Includes \$242,500 (\$59,300 General Fund) for a general inflationary increase of 1.7%, and \$27,473,900 (\$7,922,100 General Fund) for a medical inflationary increase of 3.4%.					
Agency Request	0.00	7,981,400	0	19,735,000	27,716,400
Governor's Recommendation	0.00	7,922,100	0	19,551,800	27,473,900
<b>Replacement Items</b>					
Includes \$67,700 (\$33,800 General Fund) for miscellaneous office equipment, \$182,200 (\$94,700 General Fund) for replacing eleven vehicles, and \$14,400 (\$7,200 General Fund) for computer replacement.					
Agency Request	0.00	135,700	0	128,600	264,300
Governor's Recommendation	0.00	0	0	0	0
<b>Nonstandard Adjustments</b>					
Includes \$79,299,200 (\$22,710,800 General Fund) to cover anticipated Medicaid benefit payments, and \$49,600 (\$17,400 General Fund) for increased rent costs and travel per diem.					
Agency Request	0.00	22,728,200	0	56,620,600	79,348,800
Governor's Recommendation	0.00	21,273,700	0	51,774,900	73,048,600
<b>Annualizations</b>					
Agency Request	0.00	0	0	0	0
<i>Annualizes recommended supplemental request.</i>					
Governor's Recommendation	0.00	434,600	0	1,605,500	2,040,100
<b>Change in Employee Compensation</b>					
Reflects the cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	44,400	0	63,800	108,200
<i>The Governor recommends state employee compensation increases to be made from salary savings.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>Fund Shifts</b>					
Shifts moneys from the General Fund to other federal fund sources due to changes in the Federal Medical Assistance Participation (FMAP) rate, which is going from 70.96% to 70.98%					
Agency Request	0.00	(138,300)	0	138,300	0
Governor's Recommendation	0.00	(138,300)	0	138,300	0

# Medical Assistance Services

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2003 Program Maintenance</b>					
Agency Request	195.69	271,639,700	30,641,700	669,253,000	971,534,400
<i>Governor's Recommendation</i>	212.69	242,883,800	26,811,000	595,709,400	865,404,200

## 1. Expand Healthy Connections

Funding is requested to add 14 FTP (10 in FY 2003) over a two-year period to the Healthy Connections program and improve information technology to increase client and provider participation in the program and make it more effective in controlling costs.

The Healthy Connections program was implemented in 1993 as a managed care program that provides for a "medical home" for recipients while delivering significant savings in Medicaid expenditures by minimizing duplicative or unnecessary medical care.

In fiscal year 2000, the Healthy Connections Program, with a 30% participation rate, realized over \$10 million in cost avoidance compared with traditional fee-for-service programs. A report prepared for the Legislature by the Lewin Group estimated that an additional \$4.6 to \$10.3 million in annual savings could be realized by increasing the participation rate to 50 or 75%.

The Department projects that the increased participation rate in Healthy Connections, accomplished through the additional FTP and improved technology, will result in additional cost avoidance of \$2 million to \$6 million in fiscal year 2003 and between \$14 million to \$19 million in fiscal year 2004. Although costs typically increase for primary care services and prescription drugs, these increases are more than offset by decreased emergency room, inpatient hospital care, and physician specialist costs.

At the same time, the implementation of the Resource Based Relative Value Scale (RBRVS) payment system (see RBRVS decision unit) is critical to this decision unit to insure access to primary care providers by more equitably paying for services. The benefits to both clients and providers, coupled with substantial cost avoidance, justify implementation of a Health Connections program expansion.

Agency Request	10.00	(598,200)	0	(1,406,800)	(2,005,000)
<i>Not recommended by the Governor.</i>					
<i>Governor's Recommendation</i>	0.00	0	0	0	0

## 2. HCBS Waiver Compliance

Funding is requested to hire additional surveyors in the Bureau of Facility Standards to ensure that the state is administering Home and Community Based Medicaid Services in accordance with federal and state requirements. As of January 1, 2001, HCFA Region X began enforcement of a new protocol for conducting full reviews of state Medicaid home and community-based services waiver programs. The main focus of the review is to determine whether states are operating Medicaid waiver programs in accordance with state representations about the adequacy of services and providers to meet Medicaid client needs. States found in violation of federal standards risk disallowance of federal Medicaid funding.

This decision unit allows the Bureau of Facility Standards, within the Division of Medicaid, to hire 16 surveyors, 2 supervisors, and 5.5 clerical staff to carry out certification and waiver compliance reviews of certified family homes. Most surveyors would be located in the regions to reduce travel time.

Agency Request	23.50	361,300	0	1,084,000	1,445,300
<i>Not recommended by the Governor.</i>					
<i>Governor's Recommendation</i>	0.00	0	0	0	0

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<b>3. HIPAA Privacy Officer</b>					
One of the requirements under the Health Insurance Portability and Accountability Act (HIPAA) is to have a single individual charged with the responsibility of ensuring that the organization is in compliance with, and remains in compliance with, HIPAA Privacy requirements. This entails a multitude of responsibilities including: 1) Responsibility for determining appropriate policies and procedures to meet HIPAA requirements; 2) Responsibility to ensure department personnel are trained and current on privacy requirements; 3) Conducting risk assessments of privacy policies, procedures, and practices; 4) Responsibility for making decisions regarding the appropriate disclosure of protected health information; 5) Approving (or denying) requests for protected health information by alternative means or at alternative locations; 6) Interface with customers on patient's rights issues; 7) Conduct investigations into allegations of privacy violations.					
Agency Request	1.00	43,700	0	44,400	88,100
<i>Not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>4. DD &amp; MH Project Contracts</b>					
The Developmental Disabilities / Mental Health (DD/MH) Service Delivery project is designed to improve the quality of health care for DD/MH clients. Key elements include development of a common tool to assess client needs; a case management system to ensure effective and cost efficient delivery of services; and an interface with the AIM system to ensure prior authorization of treatment and prompt payment for provider services. Included in this line item are \$1.5 million for an Independent Assessment Provider contract to conduct the client needs determination and interface with the AIM system for prior authorization of treatment, and \$20,000 to fund project management monitoring.					
Agency Request	0.00	760,000	0	760,000	1,520,000
<i>Not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0
<b>5. Breast &amp; Cervical Cancer</b>					
The 2001 Legislature directed the Department to add the new Medicaid eligibility option for women who are uninsured and enrolled in the Center for Disease Control's Breast and Cervical Cancer Early Detection program. This option provides full Medicaid coverage for women who are in the CDC program until the treatment for the cancer is completed. It is anticipated that the cost of this expansion will be \$1,382,400 in year 1; \$1,804,500 in year 2; \$2,258,800 in year 3; \$2,725,600 in year 4; and \$2,854,200 in year 5. This program is matched at the enhanced CHIP match rate of approximately 80% federal and 20% state funds.					
Agency Request	0.00	283,000	0	1,099,400	1,382,400
Governor's Recommendation	0.00	283,000	0	1,099,400	1,382,400
<b>6. RBRVS Rates for Physicians</b>					
Resource Based Relative Value Scale (RBRVS) is a change in pricing methodology for certain physician related services. RBRVS gives greater emphasis to primary care over specialized medicine and should allow better access in primary health and mental health areas. The effect of this decision unit is to increase payments to physicians to Medicare levels under the RBRVS. Working from an analysis dated Aug. 2000, the initial impact in the budget year 2002 (with the estimate of increased enrollment) would be \$6,168,900. The state portion is 30% or \$1,850,700. Computer system changes, estimated at \$600,000, will also be required. This decision unit is a critical component of expanding the Healthy Connections program, which was recommended by the Lewin report to the Legislature.					
Agency Request	0.00	2,000,700	0	4,768,200	6,768,900
<i>Not recommended by the Governor.</i>					
Governor's Recommendation	0.00	0	0	0	0

# Medical Assistance Services

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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## 7. Co-Payment Automation

Federal Medicaid guidelines do not allow Medicaid to charge a co-payment to Medicaid clients who are pregnant, under 18 years old, institutionalized, or who receive emergency services.

Guidelines do allow a co-payment for other services. In order to enable providers to identify Medicaid clients who are eligible for a co-payment and to report that co-payment to the federal government, significant automation resources would be needed. In SB 1274, the legislature required the Department to investigate a cost co-payment option and report in January 2002 progress toward implementing a cost co-payment system. This line item provides funding for the automation resources.

Agency Request	0.00	217,500	0	217,500	435,000
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*Not recommended by the Governor.*

Governor's Recommendation	0.00	0	0	0	0
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## 8. Additional Capital Outlay

Funding is requested to purchase miscellaneous computer and office equipment.

Agency Request	0.00	19,400	0	19,500	38,900
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*Not recommended by the Governor.*

Governor's Recommendation	0.00	0	0	0	0
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## FY 2003 Total

Agency Request	230.19	274,727,100	30,641,700	675,839,200	981,208,000
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Governor's Recommendation	212.69	243,166,800	26,811,000	596,808,800	866,786,600
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Agency Request

Change from Original App	32.79	45,415,800	6,241,200	120,035,400	171,692,400
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% Change from Original App	16.6%	19.8%	25.6%	21.6%	21.2%
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Governor's Recommendation

Change from Original App	15.29	13,855,500	2,410,500	41,005,000	57,271,000
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% Change from Original App	7.7%	6.0%	9.9%	7.4%	7.1%
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